

PRESS RELEASE

LYNNE ABRAHAM'S PLAN FOR SCHOOL FUNDING AND TAX REFORM

SCHOOL FUNDING

Lynne Abraham's Immediate Plans to Fund the \$105MM Requested by Superintendent Hite for Our Schools.

Lynne's proposal for her first year in office would make the tough choice of putting schools number one. It is based on confidence that (a) Superintendent Hite's plan is transformational and worth supporting and (b) Hite's request for the \$105MM is well-founded. Lynne also proposes a plan for this year.

Specifically, for fiscal year 2015-2016, the final year of the Nutter administration, Lynne proposes that the City increase U&O tax by 12.5% or \$17MM and sell an asset worth \$88MM, likely to be a portfolio of tax liens, to fund the balance of the \$105MM, in order to fund the schools at the level Superintendent Hite proposes. The Mayor should work with Governor Wolf to get approval for a one-time transfer of the City money from the asset sale directly to the School District.

As Mayor, Lynne would propose to Governor Wolf for fiscal year 2016-2017 and thereafter that he devote the proposed \$88MM in property tax relief for Philadelphia to fund the schools going forward, to be matched by the City's recurring increase in commercial U&O tax of \$17MM. Obviously, these revenues could be reduced in the event Council had approved an increase in real property tax in 2015-2016.

There may be political obstacles and even technical issues, but this plan is worth considering, now.

Although the next Mayor's first budget won't take effect until the 2016-17 fiscal year, Lynne Abraham's Campaign has prepared a tax proposal

to address both the immediate and longer-term needs of the district. The proposal represents the culmination of discussions with government officials, budget and education advisors, and others.

As we understand it, Governor Wolf proposes \$159MM for the schools for basic and special education, plus a savings of \$25MM regarding cyber school obligations for a total of \$184MM in school aid. Superintendent Hite requests \$105MM in local funding.

Both the academic outcomes and the physical condition of public school facilities are unacceptable, and in the case of the buildings even worse than acknowledged.

TAX REFORM

The complexity of our tax structure, the short-term compromises and stop-gaps over the years, and the powerful fact that there are winners and losers, makes reform essential, but difficult at the same time. Because there inevitably are winners and losers in tax reform, the Chamber of Commerce, which has had the benefit of reports from two tax reform commissions, has not advocated for specific tax reform (beyond objecting to more taxes for the schools until there are assurances the money is being well spent).

Superintendent Hite's plan 3.0 should assuage fears that new money invested in the public schools will go down the drain. His plan makes sense and puts each student in a school with a pathway to a good education. Our kids deserve no less.

That is why at the announcement of her candidacy, Lynne called for a working group of stakeholders to begin day one of her administration to arrive at a fair, coherent plan to rationalize our business and other taxes and help us keep business, grow business and attract new employers who would create well-paying jobs, and, most important, assure a recurring, secure source of local revenue for the schools. There are long-term needs and a short-term urgency.

Long term, the Sweeney/Levy plan makes sense. It is worth pursuing, but it is uncertain. At best it is three or four years out, and faces challenges in the Legislature. The Legislature is not always friendly to Philadelphia and may have concerns about the reach of the precedent throughout the Commonwealth. In any event, *the Sweeney/Levy Plan does not address school funding.*

Long term, we should consider asking the Legislature to permit the City general fund to share in an increased U&O, provided the School District's U&O revenues are undiminished, as an alternative way to tax commercial real estate as proposed in the Levy/Sweeney plan, but without a constitutional amendment. *But this does not address school funding.*

Long term, we should consider increasing the gross receipts tax and eliminating or reducing the net income tax, as proposed previously by former Councilman Bill Green and Councilwoman Quinones-Sanchez. *But this does not address school funding.*

Long term, we should consider a land-value tax, which would tax land value at a higher millage and buildings and improvements at a lower rate. As a result, the City could keep rates low for homeowners, stimulate development by taxing land holdings and provide funds to do many of the things we cannot now afford. *This could address school funding, but has its own complexities.*

But we need help on day one. And the schools are the number one priority.